

EXHIBIT B

11062 U.S. PTO
04/22/03

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Patent and Trademark Office; U.S. DEPARTMENT OF COMMERCE

PROVISIONAL APPLICATION FOR PATENT COVER SHEET

This is a request for filing a PROVISIONAL APPLICATION FOR PATENT under 37 CFR 1.53 (c).

Docket Number		1222.009USP	Type a plus sign (+) inside this box ->	+
INVENTOR(s)/APPLICANT(s)				
LAST NAME	FIRST NAME	MIDDLE NAME/INITIAL	RESIDENCE (CITY AND EITHER STATE OR FOREIGN COUNTRY)	
NORAEV	DMITRY		25 Hickory Place, Apt. E10 Chatham, New Jersey 07928	
TITLE OF INVENTION (280 characters max)				
METHOD FOR ANTI-DILUTION EQUITY PROTECTION WITH TERMINATION RIGHTS				
CORRESPONDENCE ADDRESS (including country if not United States)				
Paul D. Greeley, Esq. Ohlandt, Greeley, Ruggiero & Perle, L.L.P. One Landmark Square, 10 th Floor Stamford, Connecticut 06901-2682				
ENCLOSED APPLICATION PARTS (check all that apply)				
<input checked="" type="checkbox"/> Specification	Number of Pages	[8]	<input type="checkbox"/> Small Entity	
<input checked="" type="checkbox"/> Drawing(s)	Number of Sheets	[4]	<input type="checkbox"/> Other (specify) []	
METHOD OF PAYMENT OF FILING FEES FOR THIS PROVISIONAL APPLICATION FOR PATENT (check one)				
<input checked="" type="checkbox"/> A check or money order is enclosed to cover the filing fees.	FILING FEE AMOUNT (\$160/\$80)		\$160.00 (small entity)	
<input type="checkbox"/> The Commissioner is hereby authorized to charge the filing fees and credit Deposit Account Number: 01-0467				

11046 U.S. PTO
60/464371
04/22/03

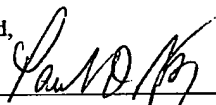
The invention was made by an agency of the United States Government or under a contract with an agency of the United States Government.

☒ No.

☐ Yes, the name of the U.S. Government agency and the Government contract number are:

Respectfully submitted,

SIGNATURE



Date: April 22, 2003

TYPED or PRINTED NAME: PAUL D. GREELEY

REGISTRATION NO. 31,019
(if appropriate)

☐ Additional inventors are being named on separately number sheets attached hereto.

USE ONLY FOR FILING A PROVISIONAL APPLICATION FOR PATENT

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60464371.042203

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Inventor(s): Dmitry Noraev
Serial No.: Not yet assigned
Filed: April 22, 2003
For: METHOD FOR ANTI-DILUTION EQUITY PROTECTION
WITH TERMINATION RIGHTS
Attorney Docket No.: 1222.009USP

PROVISIONAL PATENT APPLICATION TRANSMITTAL

Commissioner for Patents
Box Provisional Patent Application
Washington, D.C. 20231

We enclose for filing under 37 C.F.R. §1.53(c);

XXX Provisional Application Cover Sheet;
XXX 8 sheets of Specification (7 pages of Description; 0 pages of Claims; and
1 page Abstract);
XXX Four (4) sheets of drawings; and
— An assignment of the invention to: __, including the \$40.00 recordation fee
and Assignment Recordation Form Cover Sheet;

The Filing Fee is calculated below.

CLAIMS AS FILED				
(1) For	(2) Number Filed	(3) Number Extra	(4) Rate	(5) Basic Fee \$160.00
TOTAL FILING FEE				\$160.00
1/2 FILING FEE FOR SMALL ENTITY				\$160.00

— The undersigned attorney has verified that the applicant is entitled to a
Small Entity Status.

XXX

A firm check in the amount of \$ 160.00 to cover the filing fee is enclosed.

XXX

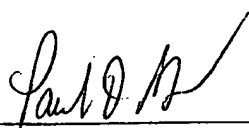
The Commissioner is hereby authorized to charge any additional fees under 37 C.F.R. §§1.16 and 1.17 which may be required with this communication or during the entire pendency of the application, or credit any overpayment, to **Deposit Account No. 01-0467**. A duplicate copy of this Form is enclosed.

Address all future communications to:

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April 22, 2003

Date

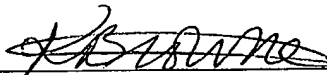


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CERTIFICATE OF EXPRESS MAILING

I hereby certify that this paper or fee is being deposited with the United States Postal Service "Express Mail Post Office to Addressee" Certificate No. **EV079549896US**, service under 37 CFR §1.10 and is addressed to: Box Provisional Patent Application, Commissioner for Patents, Washington, D.C. 20231 on April 22, 2003.

Kenroy A. Browne
Name



Signature

04/22/03
Date



60464371.042203

**METHOD FOR ANTI-DILUTION EQUITY PROTECTION WITH
TERMINATION RIGHTS**



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BACKGROUND OF THE INVENTION

1. Field of the Invention

The present invention generally relates to an equity derivative product
10 offering share dilution protection or upside participation to an issuer of equity,
equity-linked security, or convertible bond, wherein the issuer utilizes a strategy
which allows the issuer to terminate the share dilution protection mechanism at
will. In particular, the present invention pertains to a unique installment call
spread which minimizes the upfront investment by an issuer of equity, equity-
15 linked security, or convertible bond while providing share dilution protection for
the issuer.

2. Discussion of the Background Art

Equity dilution problem is a common ill for a corporate issuer of equity,
20 e.g., (1) issuance of new equity shares result in dilution for existing
shareholders; (2) large executive options awards result in a potential dilution for
shareholders if the options are exercised; (3) issuance of public warrants has
similar consequences to the executive options programs, i.e. the potential
dilution if the warrants are in-the-money and exercised; and (4) issuance of a
25 convertible bond may potentially cause share dilution for the existing
shareholders if the bond is converted to common shares before expiration.

Currently available ways to avoid equity dilution include, but are not
limited to: (1) company buys a call option from a broker-dealer on a full number
of potentially "dilutive" shares, this eliminates the dilution entirely, but almost

always is too expensive and therefore uneconomical; and (2) company buys a call spread option, this costs less than the purchase of an outright call and is a better risk profile from a broker-dealer's perspective therefore more efficiently priced for an issuer, but does not eliminate the dilution entirely, only makes the possibility of share dilution more remote by raising the effective share price at which dilution occurs. Cost is still significant, particularly for an issuer who is strapped for cash.

Fig. 1 is a schematic representation of a typical overlay transaction process for an issuer of equity, equity linked security or a convertible bond. In addition to selling the convertible bond or equity linked security 3, the issuer of the convertible bond 1 make coupon payments (i.e., the bond or security's annual rate of interest, expressed as a percentage of the bond or security's face value) to convertible investor 5. These coupon payments are typically less than the interest returned to investors for conventional bonds, e.g., 4%. To entice convertible investors 5 to accept a reduced coupon payment or interest rate on the convertible bond or equity linked security, convertible bond or equity linked security issuers also grant to the convertible investor 5 the right to exercise an option to purchase a certain number of shares at a set price. For example, the shares underlying the bond 13 may be currently trading at \$100 per share, and the strike price or exercise price (i.e., the price at which the stock underlying an option can be purchased (called)) may be \$140 per share. Thus, the convertible investor 5 is expecting the share price to exceed the strike price, thereby capitalizing on the capital appreciation of the stock, as well as receiving the periodic coupon payments or interest payments, albeit at a lower interest rate than conventional bonds.

Since the issuer of the convertible bond is concerned about dilution to its stock, broker-dealer utilizes an overlay call spread scheme as depicted in Fig. 1, wherein the issuer of the convertible bond 1 pays the broker-dealer 15 for an equity call option 17 struck at the same conversion price (e.g., \$140) of the

warrants which have been offered to the convertible investors 5. In addition to the upfront payment 19 from issuer 1 to broker 15, issuer 1 grants to broker-dealer 15 an equity call option struck at a significantly higher price 21 (e.g., \$190).

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SUMMARY OF THE INVENTION

An installment call spread allows an issuer of equity, equity-linked security, or convertible bond to replicate the benefits of the SHiPSsm call spread structures with a lower upfront premium and with the ability to terminate future installment payments if the structure is no longer desired. An issuer would pay a portion of the call spread premium upfront and would pay installments to the broker-dealer on a periodic basis, e.g., quarterly, semiannually or annually. In this installment call spread structure, the equity, equity linked security, or convertible bond issuer retains the right to cease installment payments at any time and cause the structure to expire with no further costs.

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BRIEF DESCRIPTION OF THE DRAWINGS

Other and further objects, advantages and features of the present invention will be understood by reference to the following specification in conjunction with the accompanying drawings, in which like reference characters denote like elements of structure and:

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Fig. 1 is a schematic representation of a conventional equity call spread overlay process for the issuer of equity, equity linked security, or convertible bond;

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Fig. 2 is a table according to the present invention depicting the change of an effective dilution level as a result of an equity call spread overlay (either

regular or installment) for an issuer of equity, equity linked security, or convertible bond;

Fig. 3 is a schematic representation of an installment equity call spread overlay process with a walk-away provision for an issuer of equity, equity linked security, or convertible bond according to the present invention; and

Fig. 4 is a table according to the present invention depicting a numeric example of an equity call spread overlay (both regular and installment) for an issuer of a convertible bond, contrasting the differences between the use of a regular call spread overlay and the use of an installment call spread overlay to allow a seller of a convertible security to terminate the anti-dilution equity protection mechanism.

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DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENT

The present invention can best be described by reference to the attached drawings, wherein Fig. 2 is table according to the present invention depicting the change of an effective dilution level as a result of an equity call spread overlay (either regular or installment) for an issuer of common shares, employee stock options, public warrants, convertible bonds, and other equity-linked securities. In each case, we overlay a SHiPS structure to raise the effective dilution level by 50%.

Fig. 3 is a schematic representation of an installment equity call spread overlay process with a walk-away provision for an issuer of equity, equity linked security, or convertible bond. The amount of the upfront premium paid by issuer 1 to broker-dealer 15 is substantially reduced 23 and followed by via periodic knock-out prevention installment payments 25 during the option term by the issuer 1, wherein issuer 1 can terminate the periodic knock-out prevention

installment payments either at any time or at previously contracted times, wherein no future payments are required and the overlay call spread is terminated.

Fig. 4 is a table according to the present invention depicting a numeric example of an equity call spread overlay (both regular and installment) for an issuer of a convertible bond, contrasting the differences between the use of a regular call spread overlay and the use of an installment call spread overlay to allow a seller of a convertible security to terminate an anti-dilution equity protection mechanism. In particular, we consider an example of an entity wishing to raise new capital for its business needs. Instead of simply issuing a conventional bond having an interest rate of, for example, 6%, the entity 1 decides to sell a convertible bond 3 to a convertible investor 5. In return, the convertible investor 5 pays to the convertible issuer 1 the face value of the bond 7.

Fig. 4 further demonstrates how the traditional convertible is transformed into a high premium convertible (i.e., synthetic high premium security SHiPSsm, sold by Lehman Brother, New York, NY) The SHiPSsm overlay combines access to investors in convertible bonds with a broker-dealer's structuring expertise and balance.

Fig. 4 also illustrates how the installment call spread allows for the issuer 1 to pay, for example, only 5.5% as an upfront premium 19 at the outset and thereafter make periodic, e.g., semi-annually, installment payments of 1.5%. This allows issuer 1 to reduce its cash outlay and spread the cost over a period of time. Additionally the issuer can terminate this anti-dilution protection scheme at any time without having to make any further payments. The one time cost for the upfront premium 19 is typically 15% for an exemplary call spread, whereas the combination of the upfront payment 19 and the present value of the installment payments (compounded at 4% annual rate) for the installment call spread according to the present invention is 18%.

The aforementioned installment call spread allows issuer 1 to replicate the benefits of the SHiPSSM call spread structures with a lower upfront premium and with the ability to terminate future installment payments if the structure is no longer desired. An equity, equity linked security, or convertible bond issuer
 5 would pay a portion of the call spread premium upfront and would pay installments to the broker-dealer on a periodic basis, e.g., quarterly, semiannually or annually. In this installment structure, the issuer retains the right to cease installment payments at any time and cause the structure to expire with no further costs.

10 This equity derivative product offering share dilution protection or upside participation to a convertible bond or equity linked security issuer in its own stock or in the stock of an asset held is paid by a small upfront premium and periodic installments with the right to cancel payments and thereby forfeit dilution protection (i.e., a walk-away provision). The periodic payments are
 15 preferably made in cash, equities or any other form of consideration. The dilution protection is preferably offered via a call spread, i.e. a long call option and a short call option. The number of long options is the same as the number of short options, typically on a spread ratio of 1:1. Alternatively, the number of long options is not the same as the number of short options, e.g., a ratio spread.
 20 The expiration date of the long option is the same as the expiration date of the short option. Alternatively, the expiration of the long option is different from that of the short option. The walk-away provision may be triggered solely at the issuer's discretion, automatically upon the underlying security falling below a pre-determined termination level, or automatically upon the credit rating of the
 25 issuer falling below a pre-determined termination level. The installment payments may occur at regular or irregular time intervals. The installment payment amounts may be equal or different.

Additional installment call spread features may include, but are not limited to, the ability by the issuer to periodically renew the structure, or the

insurance policies replicating the methodology where the premiums are periodic or renewable and linked to the issuer's underlying equity value. In accordance with another embodiment the equity, equity linked security, or convertible bond issuer could make the entire upfront premium payment due on the installment
5 call spread, wherein the broker-dealer rebates a prorate amount of the upfront premium should the issuer exercise its option to terminate the anti-dilution scheme during the option period.

The present invention having been thus described with particular
reference to the preferred forms thereof, it will be obvious that various changes
10 and modifications may be made therein without departing from the spirit and scope of the present invention as defined in the appended claims.

ABSTRACT OF THE DISCLOSURE

An installment call spread allows an equity, equity linked security, or convertible bond issuer to replicate the benefits of conventional high premium call spread structures with a lower upfront premium and with the ability to terminate future installment payments if the structure is no longer desired. Equity, equity linked security, or convertible bond issuer would pay a portion of the call spread premium upfront and would pay installment to the broker-dealer on a periodic basis, e.g., quarterly, semiannually or annually. In this installment call spread structure, the equity, equity linked security, or convertible bond issuer retains the right to cease installment payments at any time and cause the structure to expire with no further costs.



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Fig. 1

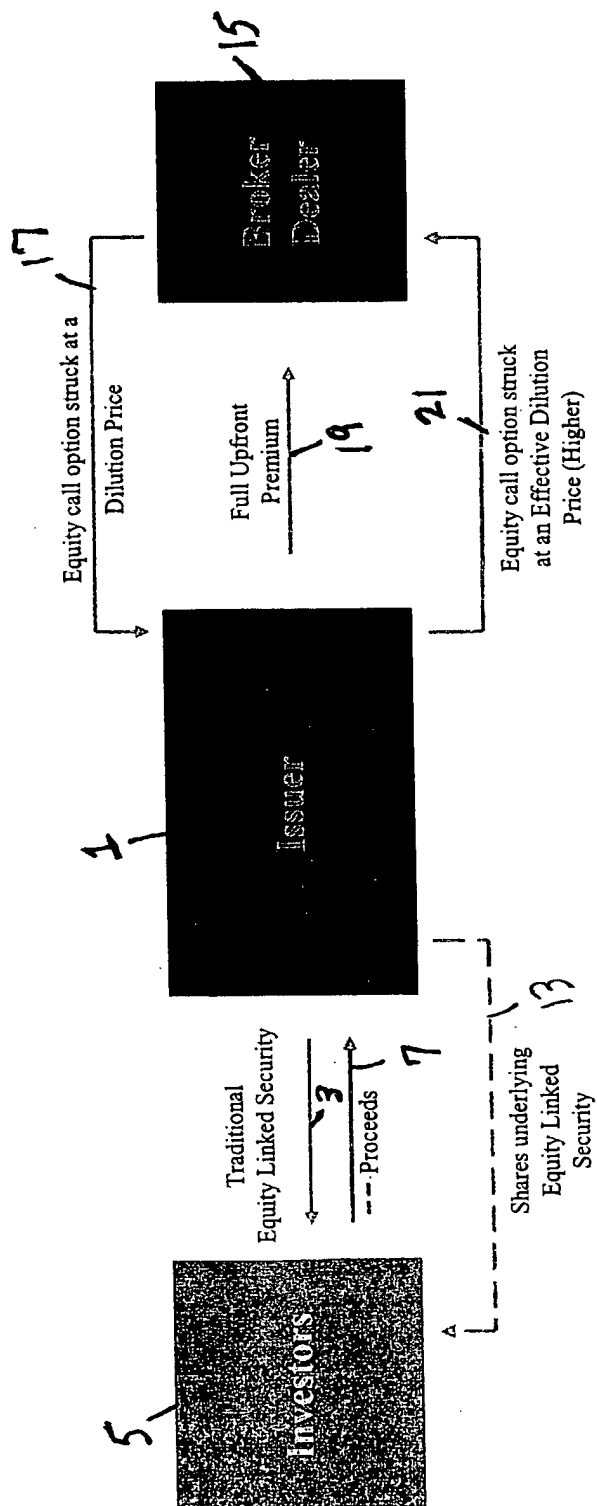


Fig. 2

Security Issued	Dilution level before SHiPS, % of Initial share price	SHiPS strikes	Effective dilution level after SHiPS
Common Shares	100%	100%-150%	150%
Warrant or Employee Options struck at 120%	120%	120%-170%	170%
Convertible Bond with conversion price of 140%	140%	140%-190%	190%
Other Equity-Linked Security with conversion level of 160%	160%	160%-210%	210%

Fig. 3

